

GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING**Fiscal Note 2011 Biennium**

Bill #	SB0510
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Title:	Abatement of half of coal gross proceeds tax for new underground mine
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Primary Sponsor:	Gebhardt, Kelly
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Status:	As Introduced
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|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2             | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

**FISCAL SUMMARY**

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Description of fiscal impact:**

This bill will allow a board of county commissioners to grant an abatement of 50% of the coal gross proceeds taxes, including the state share of the taxes, for production from a new underground coal mine for a period of from 1 to 5 years. This bill applies to tax years beginning after December 31, 2009. Effective date for this bill is October 1, 2009.

**FISCAL ANALYSIS****Assumptions:**

1. New section 1 of this bill, to be encoded in Title 15, Chapter 23, Part 7, MCA (coal gross proceeds tax) provides that the governing body of a county (board of county commissioners) may abate 50% of the coal gross proceeds tax from a new underground coal mine for a period of 1 to 5 years, subject to the approval of the school boards for all affected school districts in the county. An abatement authorization must be made prior to the beginning of the property tax year in which abatement is in effect. The department must be notified of each abatement authorization prior to the beginning of the tax year.
2. Section 2 of this bill amends 15-23-703, MCA (taxation of gross proceeds). Under current law, the tax rate for gross proceeds of coal is 5%. This amendment provides that the tax rate for production from a new underground coal mine for which an abatement is granted under new section 1 of this bill is 2.5%. This statute is also amended to provide that, if an abatement is granted under new section 1 of this bill, the

county treasurer shall reduce by 50% the amount of the gross proceeds tax distributed to entities, including the state.

3. Section 3 of the bill provides that new section 1 of the bill is to be codified Title 15, Chapter 23, Part 7, MCA (coal gross proceeds tax).
4. Section 4 of this bill provides for application to tax years beginning after December 31, 2009.
5. With no specified effective date, the effective date for this bill is October 1, 2009.
6. Since this bill applies to production from new underground coal mines not in existence at this time, this bill has no impact on revenues. This bill has no administrative costs for the Department of Revenue.

**Long-Term Impacts:**

1. Although, there are no new coal mines anticipated in FY 2010 through FY 2013, it is likely that there will be new coal mines at some point in the future. When these new coal mines are developed, it is possible the state could receive half the revenue from the new production in the first five years that it would have received under the current law. According to Department of Revenue data, the average tax filer pays approximately \$3 million in coal gross proceeds, and approximately 40% of that revenue went to the state general fund.

**Technical Notes:**

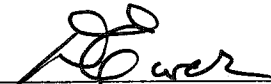
1. The term "new underground coal mine" in section 1 of this bill (page 1, line 14) is not defined.
2. New section 1 of this bill, intended to be codified in Title 15, Chapter 23, Part 7, MCA (coal severance tax), is titled "New and expanding underground mines -- tax abatement". However, there is no mention of expanding mines in the text of new section 1.
3. There might be constitutional or other legal issues related to granting county governments the power to abate the taxes of other jurisdictions, namely the state.



Sponsor's Initials

3-24-09

Date



Budget Director's Initials

3/23/09

Date